

**REPORT OF THE AUDIT OF THE
GREENUP COUNTY
SHERIFF'S SETTLEMENT - 2004 TAXES**

April 29, 2005



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
GREENUP COUNTY
SHERIFF'S SETTLEMENT - 2004 TAXES

April 29, 2005

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2004 Taxes for Greenup County Sheriff as of April 29, 2005. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$12,761,065 for the districts for 2004 taxes, retaining commissions of \$404,819 to operate the Sheriff's office. The Sheriff distributed taxes of \$12,301,008 to the districts for 2004 Taxes. Taxes of \$654 are due to the districts from the Sheriff and refunds of \$467 are due to the Sheriff from the taxing districts.

Report Comment:

- The Sheriff's Office Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Robert W. Carpenter, Greenup County Judge/Executive

Honorable Keith Cooper, Greenup County Sheriff

Members of the Greenup County Fiscal Court

Independent Auditor's Report

We have audited the Greenup County Sheriff's Settlement - 2004 Taxes as of April 29, 2005. This tax settlement is the responsibility of the Greenup County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Greenup County Sheriff's taxes charged, credited, and paid as of April 29, 2005, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated January 17, 2006 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Robert W. Carpenter, Greenup County Judge/Executive
Honorable Keith Cooper, Greenup County Sheriff
Members of the Greenup County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff's Office Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
January 17, 2006

GREENUP COUNTY
KEITH COOPER, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2004 TAXES

April 29, 2005

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 1,065,899	\$ 2,144,200	\$ 6,186,573	\$ 1,396,327
Tangible Personal Property	99,473	172,854	441,600	302,362
Intangible Personal Property				247,610
Fire Protection	2,969			
Increases Through Exonerations	145	611	1,542	191
Franchise Corporation	176,119	279,582	887,759	
Additional Billings	4,606	143,000	26,157	20,207
Oil and Gas Property Taxes	634	1,269	3,858	831
Penalties	7,656	15,489	45,337	10,298
Adjusted to Sheriff's Receipt	<u>1,127</u>	<u>(2,607)</u>	<u>(15)</u>	<u>(674)</u>
Gross Chargeable to Sheriff	<u>\$ 1,358,628</u>	<u>\$ 2,754,398</u>	<u>\$ 7,592,811</u>	<u>\$ 1,977,152</u>
<u>Credits</u>				
Exonerations	\$ 13,209	\$ 27,212	\$ 79,377	\$ 17,494
Discounts	16,068	34,273	90,115	26,488
Delinquents:				
Real Estate	55,229	112,247	324,368	72,165
Tangible Personal Property	5,042	8,946	22,879	16,614
Intangible Personal Property				198
Total Credits	<u>\$ 89,548</u>	<u>\$ 182,678</u>	<u>\$ 516,739</u>	<u>\$ 132,959</u>
Taxes Collected	\$ 1,269,080	\$ 2,571,720	\$ 7,076,072	\$ 1,844,193
Less: Commissions *	<u>54,223</u>	<u>109,298</u>	<u>162,632</u>	<u>78,666</u>
Taxes Due	\$ 1,214,857	\$ 2,462,422	\$ 6,913,440	\$ 1,765,527
Taxes Paid	1,212,615	2,458,095	6,901,563	1,728,735
Refunds (Current and Prior Year)	<u>2,196</u>	<u>4,155</u>	<u>11,908</u>	<u>36,792</u>
Due Districts or (Refund Due Sheriff)		**	***	
as of Completion of Fieldwork	<u>\$ 46</u>	<u>\$ 172</u>	<u>\$ (31)</u>	<u>\$ 0</u>

*, **, and *** See Next Page.

The accompanying notes are an integral part of this financial statement.

GREENUP COUNTY
 KEITH COOPER, SHERIFF
 SHERIFF'S SETTLEMENT - 2004 TAXES
 April 29, 2005
 (Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	5,674,994
2.5% on	\$	4,222,100
2% on	\$	2,853,971

** Special Taxing Districts:

Library District	\$	30
Extension District		24
Ambulance District		42
South Shore Fire District		17
Oldtown Fire District		29
Lloyd Fire District		14
Load Fire District		(51)
Maloneton Fire District		12
Little Sandy Fire District		55
		<hr/>

Due Districts or (Refund Due Sheriff)	\$	<u>172</u>
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*** School Districts:

Common District	\$	241
Russell District		(416)
Raceland District		144
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Due Districts or (Refund Due Sheriff)	\$	<u>(31)</u>
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GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT

April 29, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of April 29, 2005, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT
April 29, 2005
(Continued)

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2004. Property taxes were billed to finance governmental services for the year ended June 30, 2005. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 29, 2004 through April 29, 2005.

Note 4. Interest Income

The Greenup County Sheriff earned \$2,365 as interest income on 2004 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Greenup County Sheriff collected \$65,470 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Fees

The Greenup County Sheriff collected \$1,715 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). This amount will be used to operate the Sheriff's office.

Note 7. Disputed Refund

Pursuant to the agreed order regarding the Commonwealth of Kentucky Greenup County Circuit Court Case No. 04-CI-00141 involving a disputed refund, monies totaling \$447,354 shall be paid to the Clerk of the Greenup Circuit Court. Per the order, the Circuit Court shall hold the money pending resolution of the issues raised in these pleadings and further orders of the court. Per the order, it is specifically understood that the taxes at issue have already been paid and represent 2003 tangible tax, for which a refund is being sought.

COMMENT AND RECOMMENDATION

GREENUP COUNTY
KEITH COOPER, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

As of April 29, 2005

INTERNAL CONTROL - REPORTABLE CONDITION:

The Sheriff's Office Lacks Adequate Segregation Of Duties

During our audit we noted the Sheriff's internal control structure lacked adequate segregation of duties. There is a limited staff size, which prevents adequate division of responsibilities. The Sheriff has statutory authority to assume the role of custodian of monetary assets as well as recorder of transactions and preparer of the financial statement. We recommend the Sheriff implement the following compensating controls that would help offset the lack of adequate segregation of duties:

- Cash recounted and deposited by the Sheriff
- Agree daily tax collection totals to receipts ledger and deposit slip
- Agree monthly tax reports to receipts ledger and disbursements ledger
- The Sheriff prepares the bank reconciliation

Sheriff's Response:

Already do the first item.

PRIOR YEAR:

- The Sheriff's Office Lacks Adequate Segregation Of Duties

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To Honorable Robert W. Carpenter, Greenup County Judge/Executive
Honorable Keith Cooper, Greenup County Sheriff
Members of the Greenup County Fiscal Court

**Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Greenup County Sheriff's Settlement - 2004 Taxes as of April 29, 2005, and have issued our report thereon dated January 17, 2006. The Sheriff prepares his settlement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Greenup County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comment and recommendation.

- The Sheriff's Office Lacks Adequate Segregation Of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Greenup County Sheriff's Settlement - 2004 Taxes as of April 29, 2005 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
January 17, 2006

